

ALPINE COUNTY ASSESSMENT PRACTICES SURVEY

AUGUST 2000

CALIFORNIA STATE BOARD OF EQUALIZATION

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August 31, 2000

TO COUNTY ASSESSORS

ALPINE COUNTY
ASSESSMENT PRACTICES SURVEY

Here is the Alpine County Assessment Practices Survey Report. The Board completed this survey in fulfillment of sections 15640-15646 of the Government Code. These code sections provide that the State Board of Equalization (BOE) shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The assessor was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained in the report. This report and the county assessor's response constitute the final survey report, which is distributed to the Governor, the Attorney General, the State Legislature; and the county's Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey of the Alpine County Assessor's Office was conducted by County Property Tax Division beginning in September 1998. This report does not reflect changes implemented by the assessor after the fieldwork was completed.

The Honorable Dave Peets, Alpine County Assessor, and his staff gave us their complete cooperation during the assessment practices survey. We gratefully acknowledge their patience and good spirit during the interruption of their normal work routine.

We invite your comments, for we feel that these surveys can only be helpful in a mutually cooperative atmosphere. For further information regarding California's property tax system, please refer to the BOE's web site at www.boe.ca.gov. If you have any questions, please call me at (916) 445-1516.

Sincerely,

/s/ Richard C. Johnson
Richard C. Johnson
Deputy Director
Property Taxes Department

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INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the enormous impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial impact comes from the fact that half or more of all property tax revenues are used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

The assessment practices survey program is one of the State's major efforts to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews (surveys) every county assessor's office and publishes a report of its findings. This report reflects the BOE's findings in its periodic survey of the Alpine County Assessor's Office.

The assessor is required by law to file with the board of supervisors a response that indicates the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, the Senate and Assembly, and to the Alpine County grand jury and assessment appeals board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Dave Peets, Alpine County Assessor, elected to file his initial response prior to the publication of our survey; that response is included in this report following the Appendices.

Management audit reports typically emphasize problem areas, with little said about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas. However, assessment practices survey reports also contain information required by law (see *Scope of Assessment Practices Surveys*) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

SCOPE OF ASSESSMENT PRACTICES SURVEYS

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the performance of other duties enjoined upon the assessor, and the volume of assessing work as measured by property type. As directed by Government Code section 15644, this survey report includes recommendations for improvement to the practices and procedures found by the BOE's survey team.

In addition, section 75.60¹ requires the BOE to certify that the county assessment roll meets a minimum assessment level. This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in Appendix C.

Our survey of the Alpine County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with other public agencies in Alpine County with information relevant to the property tax assessment program. This survey also included an assessment sample of the 1998-99 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent.

Disparity among assessments is measured by the sum of absolute differences found in the sample; the ideal sum of absolute differences is 0 percent, and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative cost of processing supplemental assessments. The sampling program is described in detail in Appendix B.

An assessment practices survey is not an audit of the assessor's entire operation. We do not examine internal fiscal controls, nor the internal management of an assessor's office outside those areas related to assessment.

¹ All statutory references are to the Revenue and Taxation Code, unless otherwise indicated.

EXECUTIVE SUMMARY

This report presents recommendations for improvement and also attempts to identify those program elements that are particularly effective and efficient. It also describes areas of improvement since our last assessment practices survey, and acknowledges the implementation of previous recommendations.

We found significant deficiencies in the assessor's establishment of new base year values, supplemental assessments, roll changes, and possessory interest assessments. This summary briefly describes our findings.

- The county assessment roll does not meet the requirements for assessment quality established by section 75.60. Results of our sample of the 1998 assessment roll indicated an average assessment ratio of 89.69 percent, and the sum of absolute differences was 11.24 percent. Accordingly, Alpine County is no longer eligible to receive reimbursement of costs associated with administering supplemental assessments. For a full description of the assessment sampling program, please refer to Appendix B.
- Administrative changes involving assessment roll change procedures are recommended. Statutory requirements should be followed when processing roll corrections, proper code sections need to be cited on the assessment roll, and notices of escape assessment should include the required caption.
- Upon a change in ownership or completion of new construction, the assessor needs to promptly enroll the resulting new base year values. He also needs to issue the supplemental assessments associated with those change in ownership and new construction events in a timely manner.
- In the samples we reviewed, the assessor did not process base year values resulting from change-in-ownership or new construction events in the two calendar years 1997 and 1998. This failure created significant underassessments for the Alpine County property tax base. The magnitude of this situation is demonstrated by the results of the County Property Tax Division (CPTD) sample of assessments prescribed by section 75.60.
- We recommend the assessor add the present worth of unpaid future contract rents to the selling prices of possessory interests. We recommend including lease information in all possessory interest files and including the termination and renewal dates of possessory interest contracts on the list of possessory interest assessments. We recommend identification of the specific government agencies that control real property.
- We recommend implementing a procedure to ensure appropriate values for taxable government-owned properties are posted on the assessment roll.

- Additional recommendations include bringing the mandatory audit program to a current status, and obtaining waivers of statute of limitations when audits will not be completed timely.

Here is a list of the formal recommendations contained in this report, arrayed in the order they appear in the text:

RECOMMENDATION 1:	Request that the Board of Supervisors revise the disaster relief ordinance to conform to statute.....	9
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RECOMMENDATION 13:	Include copies of leases and other pertinent information in all possessory interest files.	20

RECOMMENDATION 14:	Include termination and renewal dates of possessory interest contracts on the list of possessory interest assessments.	20
RECOMMENDATION 15:	Improve the assessment of taxable government-owned properties by identifying the specific government agencies controlling property.	21
RECOMMENDATION 16:	Improve the assessment of taxable government-owned property by enrolling the proper assessed values.	22
RECOMMENDATION 17:	Perform mandatory audits pursuant to section 469.	23
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ADMINISTRATION

Budget, Staffing and Workload

Budget and Staffing

The assessor's budget funds two full-time positions, the assessor and an employee performing the duties of assessment clerk and draftsman. At the time of our fieldwork, the assessor was assisted by a part-time real property appraiser funded through a contracted position for the first half of 1998-99. In September 1998, the board of supervisors authorized hiring one permanent part-time (50%) appraiser, effective January 1, 1999. For the 1999-2000 fiscal year, the assessor was requesting approval to increase the appraiser position to full-time.

For the past four years, the assessor's budget was as follows:

Fiscal Year	Budget
94-95	\$ 124,909
95-96	\$ 123,264
96-97	\$ 124,734
97-98	\$ 117,154

Workload

Since the 1994-1995 roll year, the total assessed value of county-assessed property on the regular 601 roll in Alpine County increased as follows:²

Fiscal Year	Total Value	Increase	Statewide Increase
94-95	181,407,000	2.6%	1.3%
95-96	191,335,000	5.5%	0.7%
96-97	196,899,000	2.9%	1.3%
97-98	201,948,000	2.6%	2.8%
98-99	222,614,000	10.2%	4.9%

For the fiscal year 1997-98, the Alpine County assessor prepared an assessment roll containing 2,100 assessments on an approved budget of \$117,154. During the last five years both total roll units and roll values have increased.

² Source: State Board of Equalization Annual Reports, Table 7

Annually, the BOE publishes *A Report on Budgets, Workloads and Assessment Appeals Activities in California Assessors' Offices*. In preparing this report, the Property Taxes Department's Policy, Planning, and Standards Division compiles information received from annual questionnaires sent to all assessors. The Alpine County assessor has not responded to the questionnaire since 1995-96; consequently, the following information was compiled by the CPTD survey team.

Roll Units

Fiscal Year	Total Roll Units	Secured Roll Units	Unsecured Roll Units
98-99	2,125	1,897	228
97-98	2,100	1,869	231
96-97	2,078	1,852	226
95-96	2,007	1,778	229
94-95	1,987	1,767	220

State-County Property Tax Administration Program

Section 95.31 provides that, upon recommendation of the county assessor, and by resolution of the county board of supervisors, any eligible county may elect to participate in the State-County Property Tax Administration Program. Many California counties participate in the program. A county may apply for a loan to enhance its property tax administration system, reduce appraisal backlog resulting from new construction and changes in ownership, and maximize value enrollment capabilities. Under the contract the county does not necessarily repay the loan in cash, but repays the loan by meeting performance measures that are enumerated in the contract. In theory, the completion of these measures would generate property tax revenues to schools greater than or equal to the loan amount.

Under this program, Alpine County is eligible to receive \$3,124 annually. Alpine County has not elected to participate in the State-County Property Tax Administrative Program.

Assessment Appeals

Section 16 of article XIII of the California Constitution provides for the establishment of local boards of equalization or assessment appeals boards, and authorizes the Legislature to establish the composition of these boards. Sections 1601 through 1645.5 describe the assessment appeal process. Government Code section 15606(c) directs the BOE to prescribe rules and regulations to govern local boards of equalization; the BOE adopted Property Tax Rules 301 through 326 to regulate assessment appeals.

Article XIII, section 16, states, in part, "[T]he county board of supervisors or one or more assessment appeals boards...shall constitute the county board of equalization for a county." In

Alpine County, the board of supervisors acts as the county board of equalization in property tax appeals.

Assessment Appeals Filing Periods

To be considered valid, an assessment appeal application must be filed with the clerk of the board during the appropriate filing period. Filing periods are established by statute and vary according to the type of assessment under appeal. Section 1603 provides that appeal applications for the regular assessment period must be filed between July 2 and September 15. Exceptions to the regular filing period are contained in section 1603, subdivisions (b)(3) and (c). Section 1605 provides for a separate filing period for assessments made outside the regular assessment period, (e.g., supplemental assessments and escape assessments). Section 620.5 allows an appeal application to be filed as late as November 15 for real property acquired between the lien date and the beginning of the fiscal year and for which the new owner did not receive the notification of assessment.

In Alpine County, there are few applications for assessment appeals filed. Since 1989, there have been one to five applications per year, with no appeals filed some years. Most applications do not require hearings because the assessor resolves most appeals prior to the hearing. Since 1992, there have been three hearings.

Two Year Time Limit

Section 1604 and Property Tax Rule 309 require the appeals board to hear and make a determination on an appeal within two years of the timely filing of an application for reduction in assessment. During the current assessor's tenure, there has only been one assessment appeal that was not heard within two years. This was caused by a notification error by the county clerk.

Section 1605.6 requires that the applicant be given a forty-five day advance notice prior to the hearing. In this instance the forty-fifth day of the notification period fell beyond the two-year period required to hold the hearing.

Disaster Relief

Section 170 allows a county board of supervisors to adopt an ordinance to allow tax relief to assessees whose property has been damaged or destroyed, through no fault of their own, by misfortune or calamity. The ordinance may apply to damaged or destroyed property located in an area proclaimed by the Governor to be in a state of disaster, as well as to property damaged or destroyed by any other misfortune or calamity. The board of supervisors may specify the period of time the ordinance will remain in effect.

In 1988, the Alpine County Board of Supervisors adopted an ordinance allowing the assessor to grant tax relief for property damaged or destroyed by misfortune or calamity. The ordinance provides for an effective date of October 18, 1988, but does not specify a termination date. Therefore, pursuant to section 170, the ordinance will remain in effect until repealed.

RECOMMENDATION 1: Request that the Board of Supervisors revise the disaster relief ordinance to conform to statute.

The ordinance provides that the application for tax relief and the procedures to be followed shall be as described in section 170. The ordinance then states that a property must suffer a loss of at least \$1,000 in value due to disaster or calamity, through no fault of the property owner, to qualify for disaster relief. This appears to be a reference to the value limits of pre-1979 statutory provisions that no longer exist. The ordinance also contains a reference to section 155.13, which was repealed in 1979. We recommend the assessor request the board of supervisors to revise the disaster relief ordinance to reflect current statutes.

Assessment Roll Change Procedures

Section 616 requires the assessor to complete the local assessment roll on or before July 1 each year, and deliver it to the county auditor upon completion. After delivering the roll to the county auditor, the assessor cannot change any assessment except as authorized by statute or upon the approval of the board of supervisors and county counsel.

Sections 531 through 538 set forth the circumstances under which property can be subject to escape assessments. Sections 4831 through 4880 authorize the assessor to make certain corrections of assessment errors.

Escape Assessments

An escape assessment is an assessment made after the assessor has certified the completed local roll and delivered it to the county auditor. Upon discovery of property escaping assessment, the assessor must add the escape assessment and any applicable penalty to the assessment roll.

RECOMMENDATION 2: Enter escape assessments and their required captions on the assessment roll.

When escape assessments are made, the entry on the roll must reference the year the property escaped assessment and applicable sections of the Revenue and Taxation Code. Section 533 gives the specific wording that must be entered on the roll. That section states, in relevant part,

[I]f this is not the roll for the assessment year in which the property escaped assessment, the entry shall be followed with “Escaped assessment for year 19__ pursuant to Sections _____ of the Revenue and Taxation Code.”

Our review of the Alpine County Assessor’s roll change procedures disclosed that escaped assessments and required captions are not listed on the assessment rolls. In other words, no public notice is available indicating an escape assessment was made. This practice does not comply with statutory requirements. We recommend that the assessor enter escape assessments on the assessment roll and include the appropriate caption.

RECOMMENDATION 3: Limit roll changes to those roll years within the statute of limitations.

Generally, escape assessments must be made within four years after July 1 of the assessment year the property escaped assessment. The time period is extended to six years for assessments to which the section 504 penalty is applicable. For properties undergoing a change in ownership, the statute of limitations for enrolling escape assessments does not commence until July 1 of the assessment year in which either a Change in Ownership Statement (COS) or Preliminary Change in Ownership Report (PCOR) is filed.³

Section 51.5 provides authority for assessors to make corrections to a base year value whenever it is discovered that a base year value does not reflect applicable constitutional or statutory valuation standards. An error or omission in the determination of a base year value includes the failure to establish that base year value.

For errors that do not involve the exercise of an assessor's judgment of value, the assessor is authorized to make base year value corrections at any time, but escape assessments may only be made for years within the statute of limitations. Errors that involve the exercise of an assessor's judgment of value may be corrected only within four years after the July 1 of the assessment year for which the base year value was first established.

Our review of the assessor's records disclosed that several properties experienced delayed base year value corrections due to untimely processing of changes in ownership. In these cases, the assessor's new base year valuation had been processed five to six years after the changes of ownership occurred; escape assessments were enrolled for lien dates outside the statute of limitations. We recommend that the assessor limit roll changes to those assessment rolls within the statute of limitations, as required by the Revenue and Taxation Code.

RECOMMENDATION 4: Include the proper heading on the notice of proposed escape assessment.

Section 531.8 requires that the assessor notify the assessee at least ten days prior to entering an escape assessment on the roll. In addition, certain information is required to be included on the notice. The notice must contain the amount of any escape assessment, the name and telephone number of a person at the assessor's office with whom the assessee can discuss the assessment, and prominently display the following heading "NOTICE OF PROPOSED ESCAPE ASSESSMENT."

Prior to enrolling an escape assessment, the Alpine County Assessor sends the assessee a notice stating the amount of increase in the taxable value for the fiscal year affected. The notice contains the heading: "SECURED ASSESSMENT ROLL ALTERATION NOTICE." The assessor's

³ Section 532

notification form does not comply with statutory requirements. We recommend that the assessor revise the taxpayer notice to include the proper heading, as required by section 531.8.

Exemptions

Section 201 states that “All property in this State, not exempt under the laws of the United States or of this State, is subject to taxation under this code.” The Revenue and Taxation Code exempts certain properties from property taxation provided specific criteria are satisfied.

The exemption program in Alpine County is a small part of the overall workload of the county assessor. There are no hospitals, churches, or cemeteries within the county. Currently, exemptions include welfare, disabled veterans’, and homeowners’.

Our review of the exemption program disclosed that the assessor uses BOE prescribed forms and that claims for exemption were properly completed, signed, and dated. The assessor has a good understanding of the qualifications for exemptions and filing requirements for claimants.

Welfare Exemption

Article XIII, section 4(b), of the California Constitution exempts from property taxation property used exclusively for religious, hospital, or charitable purposes and owned or held in trust by a nonprofit organization organized and operating for those purposes. The welfare exemption described in section 214 may be claimed on property owned by such an organization and used exclusively for religious, hospital, scientific, or charitable purposes. The welfare exemption is co-administered by the BOE and county assessor. Annual filing of the exemption claim is required, as is approval by both the BOE and the county assessor. At the time of our fieldwork, there were four properties receiving the welfare exemption. Two properties comprise summer camps, and the other two properties comprise a religious elementary school.

Disabled Veterans’ Exemption

Section 205.5 exempts the first \$40,000 of taxable value of a property owned by a disabled veteran and used as the veteran’s principal residence. This exemption is increased to \$100,000 if the veteran is totally disabled. Section 205.5 allows the amount of exemption to be raised to \$60,000 and \$150,000 respectively based on income. A one-time filing is required to receive the \$40,000 and \$100,000 exemption. To receive the \$60,000 and \$150,000 exemption, annual filing is required in order to verify the income. One property was granted a 100 percent disabled veterans residence exemption in Alpine County.

Homeowners’ Exemption

Section 218 allows a homeowners’ exemption of \$7,000 for a dwelling occupied by an owner on the lien date. The exemption does not apply to property that is rented, vacant, or under construction. For the 1998-99 assessment roll, 189 properties were granted homeowners’ exemptions. The assessor ensures that the owner occupies the property before granting the exemption.

ASSESSMENT OF REAL PROPERTY

The assessor's programs for assessing real property include the following elements:

- Revaluation of properties that have changed ownership.
- Valuation of new construction.
- Annual revaluation of certain properties subject to special assessment procedures, such as land subject to California Land Conservation Act (CLCA) contracts, properties in timberland production zones, and taxable government owned land.
- Annual review of properties with market values less than their factored base year values.

Base Year Values

Article XIII A of the California Constitution requires that real property be assessed at the lower of its current market value or factored base year value. The assessed value on the 1975 lien date, or a value that results from a subsequent change in ownership or new construction, is referred to as a property's base year value. The base year value is adjusted each year to reflect inflation as measured by the California Consumer Price Index (CCPI); however this inflation factor cannot exceed 2 percent. This indexed value is known as the factored base year value.

Our review disclosed that the assessor has a significant backlog of new base year values to enroll for properties that changed ownership or had new construction. We found that the assessor enrolled new base year values for properties four to five years after the change in ownership occurred, and in some cases six to seven years after the change in ownership or new construction occurred.

The significance of the assessor's failure to timely enroll new base year values is demonstrated by the results of the CPTD sample program. Results of our sample of the 1998 assessment roll indicated an average assessment ratio of 89.69 percent, and a sum of absolute differences of 11.24 percent. Since the statute was enacted, Alpine County is the only county which we have found out of the tolerance range prescribed in section 75.60. Accordingly, Alpine County is no longer eligible to receive reimbursement of costs associated with administering supplemental assessments. For a description of the assessment sampling program, please refer to Appendix B.

Change in Ownership

One of the assessor's duties is to identify and value properties that have changed ownership. Section 60 defines a change in ownership as the transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee

interest. As the definition indicates, the test for change in ownership is a three-way test. In order to qualify as a change in ownership, a transfer of ownership of real property must meet all three conditions.

Sections 62 through 69.5 exclude certain transfers from the definition of change in ownership. Exclusions include, but are not limited to, interspousal transfers, transfers between parents and children, and property acquired as a replacement for property taken by eminent domain.

Discovery

The Alpine County Recorder's Office is the main source of information by which the assessor discovers properties undergoing a change in ownership. The Alpine County Recorder's Office records 1,000 - 1,500 documents annually. Approximately 100 - 200 of the documents recorded each year represent transactions that qualify as reappraisable changes in ownership.

Section 480.3 requires that transferees of real property file a Preliminary Change in Ownership Report (PCOR) with the recorder at the time of recording of any document effecting a change in ownership, or pay a \$20 fee. The Alpine County Recorder's Office charges the additional recording fee of \$20, authorized by section 480.3, if the transferee fails to concurrently file the PCOR. Consequently, a PCOR accompanies the majority of recorded transfer documents. The recorder forwards copies of all recorded transfer documents and PCOR's to the assessor.

Processing

The assessor reviews the PCOR to obtain relevant information about the change in ownership. The PCOR lists such items as the sale price, the type of transfer (purchase or gift), terms and conditions of the property at the time of transfer, and whether the property is intended to be the owner's primary residence. When a transfer document is received without a PCOR, the assessor sends a Change of Ownership Statement (COS) form to the owner. A COS is also sent when there is insufficient or incomplete information on the PCOR. The assessor mails approximately 15-20 Change in Ownership Statements each year.

We reviewed 95 properties that had a new base year value resulting from a change in ownership. Due to the assessor's current backlog of processing new base year values for properties that changed ownership, our review was limited to the most recent information available. We examined properties for which the assessor processed new base year values in 1998. The transfers we reviewed occurred between 1991 to 1996. The new base year values set by the assessor properly reflected market value. However, improvement is needed in the area of timeliness.

RECOMMENDATION 5: Promptly enroll new base year values for properties that undergo a change in ownership.

We recognize that problems with the enrollment of new base year values for the 1992-93 and 1993-94 roll years created a backlog in the assessor's change in ownership program.⁴ Delays enrolling new base year values since 1995, however, are unreasonable. Several factors should make the backlog of change in ownership work unnecessary. (1) A majority of the recorded deeds in Alpine County are accompanied by a PCOR. (2) Application of section 110(b) and Property Tax Rule 2 create a rebuttable presumption that the money consideration paid for property is the full cash value of the property. (3) Alpine County has a relatively small number of transfers.

We recommend the assessor promptly enroll new base year values following changes in ownership.

New Construction

Assessors are required to establish a base year value for newly constructed real property as of the date of completion of new construction. Section 70 and Property Tax Rule 463 define "newly constructed" and "new construction." Common types of new construction for improvements are new buildings and related structures, square footage additions to existing structures, and finishing previously unfinished areas such as attics, garages, and patios. Common types of new construction for land are retaining walls, grading, land fill, altering vacant land for the purpose of development, and leveling, leaching, or adding soil amendments to improve the productive capability of agricultural land.

Discovery

Building permits issued by the county building department are the primary source for discovering new construction in Alpine County. The assessor also discovers new construction from newspaper articles and information reported on the business property statement.

RECOMMENDATION 6: Improve the discovery of new construction by obtaining copies of permits for septic systems and wells.

Currently, the assessor is not receiving copies of permits for septic systems and wells from the Alpine County Health Department. Information from permits for wells and septic tanks can be an indication of further development and can assist the assessor in discovering new construction. Section 72 requires that county and city agencies furnish the assessor copies of building permits. We recommend the assessor request copies of issued permits and associated notices of final inspections from the health department.

⁴1995 assessment practices survey recommended review of all change in ownership and new construction events that occurred during assessment years 1992-93 and 1993-94.

RECOMMENDATION 7: Improve the discovery of new construction by conducting periodic field inspections.

The assessor's current practice is to review property appraisal records and inspect the property for new construction that may have escaped assessment while he is on site for another purpose; (i.e., new building permit or change in ownership). This practice is effective for updating property records, but it leaves many properties unchecked. It may result in property escaping assessment because the county building department does not require building permits for all construction activities. Building permits are not required for such items as: one story detached buildings with a floor area less than 120 square feet; retaining walls less than four feet in height; and platforms, walks, and driveways less than 30 inches above grade and not over any basement or story below. Under the current permit requirements, construction for many decks and all patios and flatwork would not require a permit.

New construction activity for which a building permit was not required may add value and be assessable. Conducting periodic inspections will verify the accuracy of the assessor's records and ensure that all taxable property is assessed. We recommend the assessor implement a procedure for periodically inspecting properties to discover new construction.

Permit Processing

Upon receiving copies of building permits, the assessor enters permit data into a computerized monitoring system. That information includes parcel number, name of assessee, permit number, issue date, work description, and location. After the information is entered for each permit, the system generates a worksheet for valuing that property. The automated monitoring system tracks the new construction activity until each project is complete and values are enrolled.

Valuation

Proper valuation of new construction means estimating the full value of new construction as of the date of completion or, if there is construction in progress (CIP), as of the lien date. When the construction is complete, the new construction is valued at market value, and that value becomes the base year value.

The assessor uses market-derived building residuals and owner-reported costs to value new construction. Consistent backlogs often result in the enrollment of CIP values after the construction is complete. When construction has been completed, CIP values are estimated and escape assessments enrolled for applicable lien date(s). The assessor arrives at the construction in progress value for the past lien dates by applying a percentage to the value at completion.

RECOMMENDATION 8: Enroll the value of partially completed new construction on each lien date until completed.

Section 71 and Property Tax Rule 463(d) provide that new construction in progress is assessable on each lien date and shall be appraised at its full value on each lien date thereafter until complete.

Valuation of new construction in progress should reflect the value for the partially completed new construction for the specific lien date and year. The value of CIP may be estimated as of a specified valuation date using the replacement cost approach.⁵ Common sources of replacement cost data include *Marshall Valuation Service*, published by Marshall and Swift, Assessors' Handbook Section 531, *Residential Building Costs*, and Assessors' Handbook Section 534, *Rural Building Costs*, published by the BOE.⁶

We recommend the assessor annually review all properties with active building permits and assess construction in progress at its full value based on the stage of completion and market conditions on each lien date until the new construction is complete.

RECOMMENDATION 9: Promptly enroll new base year values following completed new construction.

Our review of the assessor's records disclosed that a backlog exists for establishing base year values following new construction. The significant backlog of unenrolled new base year values is discussed above under the topic heading "Base Year Values."

Timely enrollment is important to prevent losses of escape assessments due to the expiration of the statute of limitations. Assessments have been lost because of this delay. We recommend the assessor enroll new base year values on a timely basis.

Decline in Value

Section 51 requires that real property subject to article XIII A of the California Constitution be annually assessed at the lower of the factored base year value or the current market value, as defined in section 110. When a property's current market value declines below its factored base year value, the lower value must be enrolled as the taxable value for the years of decline.

Monitoring

Taxable values that recognize that the current market value of a property has fallen below its factored base year value are temporary reductions. Once a property's market value has declined below factored base year value, and its market value has been enrolled to recognize the reduction,

⁵ Property Tax Rule 6 states, in part, that the replacement cost or reproduction cost approach to value is particularly appropriate for construction in progress.

⁶ The assessor stated that he believes the Board of Equalization's, Assessor's Handbook Section 531, *Residential Building Costs*, are not applicable to Alpine County (September 22, 1998 interview.)

a property's taxable value must be reviewed each subsequent lien date to determine whether its then current market value remains less than its factored base year value. If the market value of the property increases above factored base year value on a subsequent lien date, the assessor must again enroll its factored base year value.

RECOMMENDATION 10 Annually reappraise properties with taxable values that are less than their factored base year values, as required by section 51(e).

The Alpine County Assessor is conscientious in his attempt to recognize properties with market values below factored base year values. However, it is difficult to track market trends due to the relatively low number of sales in any given year. The only neighborhoods with enough sales of homogeneous properties to make decline in value studies feasible are the condominium developments near the Bear Valley and Kirkwood ski resorts.

In the 1980's, the assessor determined that the market values of a number of condominiums were lower than their factored base year values and subsequently enrolled market values to recognize that current market value had declined below factored base year value. Those units whose assessed values were lowered prior to 1985 were subsequently reviewed in 1989, 1991, and 1998. Units whose assessed values were lowered in 1989 were reappraised in 1991 and 1998.

The property files contain adequate documentation supporting both the assessment reductions and subsequent increases in values. However, allowing properties to retain taxable values that are less than factored base year values for a number of years, without reappraisal, can result in inaccurate and improper assessments. Section 51(e) requires that properties with taxable values less than their factored base year values be reappraised annually until their full cash values exceed their factored base year values. We recommend that the assessor annually review the market value of all properties with taxable values below their factored base year value.

Supplemental Assessments

Whenever a change in ownership or new construction occurs, sections 75 et seq. require the assessor to appraise the property at its full cash value on the date the property changed ownership or the date new construction was completed, and issue a supplemental assessment. The increase or decrease in assessed value resulting from a change in ownership or new construction is reflected in a prorated assessment (the supplemental assessment) that covers the portion of the fiscal year remaining after the date of change in ownership or completed new construction.

The Alpine County Assessor enrolls all supplemental assessments regardless of amount and notifies the tax collector of pending supplemental assessments by forwarding copies of the notices sent to taxpayers. Our review found that the assessor's procedures pertaining to supplemental assessments reflect accurate value calculations. However, improvement is needed in the area of timeliness.

RECOMMENDATION 11: Issue supplemental assessments on a timely and regular basis.

Our review disclosed that supplemental assessments are processed in batches, which have been issued sporadically. At the time of our fieldwork, the most recent batches were processed in January 1996; February, September, and November 1997; and March 1998.

Delays in processing supplemental assessments can adversely affect the security of taxes resulting from escape assessments. Section 75.54(c) states, in part “[I]n the event there is a subsequent change in ownership following an initial change in ownership or completion of new construction, that occurs before the mailing of the supplemental tax billing attributable to the initial change in ownership or completion of new construction, then the lien for supplemental taxes is extinguished....”

If a new base year value is not processed before the beginning of the second assessment year following the change in ownership or new construction, an escape assessment results. Section 531.2(a) provides that an escape assessment shall not create or impose a lien on the property when the property has changed ownership or becomes subject to a lien (i.e., mortgage, deed of trust, etc.) after July 1 of the year of escape, but prior to the date of assessment and entry on the secured roll.

In addition to adversely affecting the security of taxes, delays in issuing supplemental assessments may cause an unnecessary burden on taxpayers for payment of taxes. Taxpayers are entitled to timely notification of assessment.

The assessor issued supplemental assessments in batches, as we described previously, which we believe represents an unreasonable delay. We recommend that the assessor issue supplemental assessments timely.

Special Property Types and Procedures

Timberland Production Zones

Land zoned as Timberland Production Zone (TPZ) can be used only for growing and harvesting timber, and for certain other compatible uses as defined by law. TPZ land is subject to assessment in accordance with the special TPZ site classification that excludes the value of the standing timber. There are 11 assessment parcels totaling 1,435 acres of TPZ land in Alpine County. The total 1997 timber harvest was 3,710,000 board feet, valued at \$422,533.

In our 1995 assessment practices survey, we recommended that the assessor identify and assess compatible uses on timberland parcels. Our current review disclosed that TPZ assessments properly reflect income from compatible uses. We found this program to be properly administered.

Taxable Possessory Interests

A taxable possessory interest (PI) is established when a private party has the exclusive right to the beneficial use of government-owned real property. Section 107 et seq. and Property Tax Rules 20 through 28 govern the assessment of possessory interests. Important elements in a possessory interest assessment program are the ability to identify the government agencies granting the possessory interest, the holder of the possessory interest, the term of possession, and the economic rent.

There were 116 possessory interest assessments on the Alpine County 1998-99 assessment roll. The assessor contacts public agencies by letter or in person to request current information on new or changed tenancies or rents, although not always on an annual basis.

Our review of possessory interest appraisals indicates that proper valuation techniques are utilized. However, in reviewing the entire program, we noted procedures that require improvement.

Valuation

Property Tax Rule 25 provides that a taxable possessory interest may be valued by one or more of the following approaches: comparative sales approach, income approach, or the cost approach. Property Tax Rule 25(a) requires that when determining the taxable value of a post-De Luz possessory interest⁷ using the direct sales comparison method, the present worth of any unpaid future contract rents for the interest's estimated remaining term of possession be added to the sale price.

RECOMMENDATION 12: Comply with regulatory requirements by including the present worth of unpaid future rents in the value of appropriate possessory interests.

Although there have been few recent sales of possessory interests in Alpine County, there are at least two instances where possessory interest base year values were calculated incorrectly because the possessory interests were valued without considering unpaid future contract rents. We recommend that the present worth of future contract rents be included in the taxable value of post-De Luz possessory interests.

Documentation

Maintaining and considering current information on lease terms is important to accurately value possessory interests.

⁷ Post De-Luz-possessory interest created, extended, or renewed after December 24, 1955.

RECOMMENDATION 13: Include copies of leases and other pertinent information in all possessory interest files.

Knowledge of lease terms, such as lease payments, escalating future payments, and expenses paid by the tenant are important elements in determining rents used in the income approach to value. Knowledge of lease terms such as expiration dates and renewal options are important in identifying when the possessory interest should be reappraised.

In our prior survey report we recommended that the assessor continue efforts to review and upgrade the possessory interest program. Our prior review found that possessory interest appraisal files did not contain information regarding lease expiration dates or renewal options. Our current review disclosed that the possessory interest files continue to contain little information relative to lease expiration dates or options.

According to the assessor, the United States Forest Service (USFS) has failed to provide requested information, by continuing to withhold the names and mailing addresses contained in special use and grazing permits on USFS property. This situation has precluded the assessor from obtaining the necessary information for the past several years. However, we requested tenant information from the USFS (El Dorado, Stanislaus, and Toiyabe National Forests) as a part of this survey and received current information. Evidently, the USFS is now willing to cooperate and furnish this information for assessment purposes. We recommend the assessor more aggressively pursue the acquisition of lease information and maintain these files for assessment purposes.

RECOMMENDATION 14: Include termination and renewal dates of possessory interest contracts on the list of possessory interest assessments.

Our current review revealed the absence of any listing that could be utilized for an annual reappraisal of possessory interests other than a list of Assessor's Parcel Numbers, tenants, and values. Maintaining a listing of termination and renewal dates for PI contracts would be beneficial in properly scheduling PI reappraisals. We recommend that the assessor include the termination and renewal dates of possessory interest contracts on the list of possessory interest assessments.

Taxable Government-Owned Property

Article XIII, section 3, of the California Constitution exempts from taxation any property owned by local governments. However, article XIII, section 11, provides that land, and the improvements thereon, located outside a local government's boundaries may be taxed if the property was subject to taxation at the time of acquisition.

In 1995, the California Supreme Court decided that the provisions of article XIII A of the California Constitution are applicable to taxable government-owned property.⁸ Following this decision, the standard of value for taxable government-owned land, located outside Inyo and Mono Counties, is the lowest of: (1) the 1967 assessed value adjusted by the appropriate section 11 factor (supplied annually by the BOE), (2) the current fair market value, or (3) the article XIII A factored base year value. Improvements built after 1954 that replace taxable improvements are assessed at the lowest of (1) current market value, (2) factored base year value, or (3) the highest value ever used for taxation of the improvements.

The Alpine County Assessor maintains a list of 296 land parcels that are owned by government agencies. By comparing ownership and tax rate area codes, it can be determined whether there are any parcels owned by government agencies that appear to be located outside their boundaries. Any such properties could be taxable government-owned property and assessable in accordance with section 11.

In our 1995 assessment practices survey we recommended that the assessor obtain a copy of the 1967 Alpine County assessment roll for the purpose of properly processing, now and in the future, section 11 properties. The assessor implemented this recommendation by obtaining the 1967 assessment roll on microfilm.

Our review of section 11 properties for this survey disclosed that procedures for assessing taxable government-owned properties continue to need improvement.

RECOMMENDATION 15: Improve the assessment of taxable government-owned properties by identifying the specific government agencies controlling property.

Our 1995 assessment practices survey suggested that the assessor identify the specific governmental agencies that manage real property. Our current survey found that many government agencies continue to be listed under general ownership titles, such as USA, State of California, or Alpine County. Such general titles do not identify which specific federal, state, or local agency controls the use of the real property.

Identification would facilitate verification that all government-owned property located outside the government's boundary is being properly assessed and would aid in the discovery of possessory interests. Also, absence of specific agency titles prevents the assessor from requesting information from the agency pertaining to a private individuals' or entities' use of government-owned property.

Identification of specific agencies is also important considering recently enacted article XIII D of the California Constitution, which allows assessments to be levied on parcels receiving "special benefits." Section 4 of article XIII D states, in part, "Parcels within a district that are owned or

⁸ *City and County of San Francisco v. County of San Mateo*. (1995) 10 Cal. 4th 554. Letter to Assessor's No. 95/48.

used by any agency, the State of California or the United States shall not be exempt from assessment unless the agency can demonstrate... that those publicly owned parcels in fact receive no special benefit.” If the assessing agency levies an assessment for “special benefit,” the assessment cannot be billed without specific agency identification. We recommend that the assessor identify the specific government agency owning or controlling the property.

RECOMMENDATION 16: Improve the assessment of taxable government-owned property by enrolling the proper assessed values.

Our review of section 11 properties disclosed that the values enrolled on the 1998-99 assessment roll for lien date 1/1/98 were actually 1/1/97 values. Upon notification, the assessor took immediate action to correct the values of all section 11 properties for the 1998-99 assessment roll. We recommend that the assessor implement a procedure to ensure that current values, as listed on the appraisal record, are properly posted on the assessment roll.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

The county assessor's program for assessing personal property includes the following elements:

- Processing annual business property statements;
- Auditing business property statements to ensure proper reporting by taxpayers;
- Annual valuation of personal property reported on business property statements;
- Annual valuation of other taxable property, including vessels, aircraft, and manufactured homes.

Audit Program

Section 469 requires an audit of the accounting records of assesseees owning or possessing tangible business personal property and trade fixtures with a full value of \$300,000 or more. Property Tax Rule 192 clarifies the statute by requiring the \$300,000 full value to be reached for each of four consecutive lien dates before an audit is mandatory.

RECOMMENDATION 17: Perform mandatory audits pursuant to section 469.

The Alpine County Assessor is responsible for auditing three mandatory accounts. We found that the assessor has not completed these mandatory audits. In prior years, these mandatory audits have been contracted out to another county or the assessor has relied on CPTD samples to keep his mandatory audit program in compliance. However, due to recent changes in the sample/survey program, the assessor can no longer rely on CPTD to perform a sampling of the assessment roll within the four-year statutory requirement.

We recommend the assessor perform mandatory audits as required by section 469.

RECOMMENDATION 18: Seek waivers of the statute of limitations when a mandatory audit will not be completed on time.

Generally, audits must be completed within four years after July 1 of the assessment year being audited because roll changes resulting from audits are subject to the statute of limitations pursuant to section 532.⁹ Section 532.1 allows for the extension of time when the assessee and the assessor agree in writing to extend the time allowed for making an escape assessment, correction and refund.

Our review disclosed that the assessor did not seek waivers of the statute of limitations for the mandatory audits that were not completed within four years. We recommend that the assessor seek waivers of the statute of limitations in all situations where audits will not be completed timely.

⁹ If conditions exist that warrant a penalty application of 25% as provided in section 502 and 504, the time limit is extended to 6 years.

Business Property Valuation

The 1995 assessment practices survey of the Alpine County Assessor's Office contained several recommendations that addressed inadequate processing and valuation procedures. These included recommendations to apply the inventory exemption to rental equipment in stock, assess business property at the proper trade level, assess property at the proper situs, and correctly identify penalty assessments on the tax roll. Our review found that these areas have been corrected.

Property Statements Processing

Section 441 requires that every person owning taxable personal property, with an aggregate acquisition cost of \$100,000 or more for any assessment year, file a signed property statement with the assessor. Section 441 also provides that every person owning personal property that does not require the filing of a property statement shall, upon request of the assessor, file a property statement. If a taxpayer fails to file the property statement, section 501 authorizes the assessor to estimate the value, based upon information in the assessor's possession.

The Alpine County Assessor is responsible for annually processing approximately 100 business property statements and 15 vessel property statements with a total assessed value of approximately \$6 million. The assessor and one appraisal technician/assessment clerk accomplish this assessment task. The assessor reviews the property statement for completeness, and estimates the taxable value.

Equipment Valuation

Taxable values (or assessed values) of business personal property are typically derived from historical or original costs (referred to as acquisition costs), through the use of valuation factors. The valuation factors are the product of the equipment index factors and percent good factors. Accurate assessments of equipment depend on the proper choice and application of these factors.

Section 401.5 requires that the BOE issue information that, in the judgment of the BOE, will promote uniformity in appraisal practices and in assessed values throughout the state. Included is data relating to the costs of property. With respect to commercial and industrial property, the BOE after a public hearing, reviews and approves commercially available data.

The BOE complies with section 401.5 for business personal property by publishing Assessors' Handbook Section 581, *Equipment Index and Percent Good Factors* (AH 581). Equipment index and percent good factors are published annually for use in computing current market value estimates from acquisition costs of machinery and equipment. AH 581 contains 12 categories of indices for commercial equipment, six categories for industrial equipment and one category each for agricultural and construction equipment. The percent good factors are set forth in two tables, one for machinery and equipment, and one for agricultural and mobile construction equipment. Percent good factors for agricultural and construction equipment are provided for both new and used equipment.

In order to promote uniformity in appraisal practices and assessed values, and comply with the requirements of section 401.5, the BOE issued valuation factors for computer equipment. In Letter To Assessors (LTA) No. 97/18, the BOE provided valuation factors for use when valuing computer equipment for the 1997 and 1998 lien dates.

Our review disclosed that the assessor has properly used the index and percent good factors provided by the BOE in the valuation of business personal property.

Vessels

To assess the 15 boats in Alpine County, the assessor contracts with the San Luis Obispo County Assessor's Office. Due to the low number of vessels, the Alpine County Assessor does not subscribe to any published value guides. All vessels are annually appraised at market value.

APPENDIX

A. County Property Tax Division Survey Group

Alpine County Assessment Practices Survey

Chief, County Property Tax Division:

Charles Knudsen	Chief
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Survey Team Director

Gene Palmer	Principal Property Appraiser
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Survey Team Supervisor

David J. Hendrick	Supervising Property Appraiser
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Survey Team

Lisa Thompson	Senior Specialist Property Appraiser
Dale Peterson	Associate Property Auditor Appraiser
Glenn Danley	Associate Property Appraiser
John Magorian	Associate Property Appraiser
Dennis Miller	Associate Property Appraiser
Wes Hill	Assistant Property Appraiser
Teresa Brink	Tax Technician II
Kim Trotto	Tax Technician II
Denise Owens	Tax Technician II

B. Assessment Sampling Program

The need for compliance with the laws, rules, and regulations governing the property tax system and related assessing¹⁰ activities is very important in today's fiscally stringent times. The importance of compliance is twofold. First, the statewide maximum tax rate is set at one percent of taxable value. Therefore, a reduction of local revenues occurs in direct proportion to any undervaluation of property. (It is not legally allowable to raise the tax rate to compensate for increased revenue needs.) Secondly, with a major portion of every property tax dollar statewide going to public schools, a reduction in available local property tax revenues has a direct impact on the State's General Fund, which must backfill any property tax shortfall.

The BOE in order to meet its constitutional and statutory obligations, focuses the assessment sampling program on a determination of the full value of locally taxable property and eventually its assessment level. The purpose of the BOE's assessment sampling program is to review a representative sampling of the assessments making up the local assessment rolls, both secured and unsecured, to determine how effectively the assessor is identifying those properties subject to revaluation and how well he/she is performing the valuation function.

The assessment sampling program is conducted by the BOE's County Property Tax Division (CPTD) on a five-year cycle for the 11 largest counties and cities and counties and on either a random or as needed basis for the other 47 counties. This sampling program is described as follows:

A representative random sampling is drawn from both the secured and unsecured local assessment rolls for the counties to be surveyed.

These assessments are stratified into 18 value strata (nine secured and nine unsecured.)¹¹

From each stratum a random sampling is drawn for field investigation, sufficient in size to reflect the assessment level within the county.

For purposes of analysis, the items will be identified and placed into one five categories after the sample is drawn:

Base year properties. Those properties the county assessor has not reappraised for either an ownership change or new construction during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

Transferred properties. Those properties last reappraised because of an ownership change that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

¹⁰ The term "assessing" as used here includes the actions of local assessment appeals boards, the boards of supervisors when acting as boards of equalization, and local officials who are directed by law to provide assessment-related information.

¹¹ The nine value strata are \$1 to \$99,999; \$100,000 to \$199,999; \$200,000 to \$499,999; \$500,000 to \$999,999; \$1,000,000 to \$1,999,999; \$2,000,000 to \$19,999,999; \$20,000,000 to \$22,999,999; \$100,000,000 to \$249,999,999; and \$250,000,000 and over.

New construction. Those properties last reappraised to reflect new construction that occurred during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling.

Non-Proposition 13 properties. Those properties not subject to the value restrictions of Article XIII A, or those properties that have a unique treatment. Such properties include mineral-producing property, open-space property, timber preserve property, and taxable government-owned property.

Unsecured properties. Those properties on the unsecured roll.

From the assessment universe in each of these 18 value strata (nine strata on both secured and unsecured local rolls), a simple random sampling is drawn for field investigation which is sufficient in size to reflect the assessment practices within the county. A simple nonstratified random sampling would cause the sample items to be concentrated in those areas with the largest number of properties and might not adequately represent all assessments of various types and values. Because a separate sample is drawn from each stratum, the number of sample items from each category is not in the same proportion to the number of assessments in each category. This method of sample selection causes the raw sample, i.e., the "unexpanded" sample, to overrepresent some assessment types and underrepresent others. This apparent distortion in the raw sampling is eliminated by "expanding" the sample data; that is, the sample data in each stratum are multiplied by the ratio of the number of assessments in the particular stratum to the number of sample items selected from the stratum. Once the raw sampling data are expanded, the findings are proportional to the actual assessments on the assessment roll. Without this adjustment, the raw sampling would represent a distorted picture of the assessment practices. This expansion further converts the sampling results into a magnitude representative of the total assessed value in the county.

The field investigation objectives are somewhat different in each category, for example:

Base year properties -- for those properties not reappraised during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: was the value properly factored forward (for the allowed inflation adjustment) to the roll being sampled? was there a change in ownership? was there new construction? or was there a decline in value?

Transferred properties -- for those properties where a change in ownership was the most recent assessment activity during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that a reappraisal was needed? do we concur with the county assessor's new value? was the base year value trended forward (for the allowed inflation adjustment)? was there a subsequent ownership change? was there subsequent new construction? was there a decline in value?

New construction -- for those properties where the most recent assessment activity was new construction added during the period between the lien date five years prior to the roll currently being sampled and the lien date of the current sampling: do we concur that the construction caused a reappraisal? do we concur with the value enrolled? was the base year amount trended forward properly (for the allowed inflation adjustment)? was there subsequent new construction? or was there a decline in value?

Non-Prop 13 properties -- for properties not covered by the value restrictions of Article XIII A, or those properties that have a unique treatment do we concur with the amount enrolled?

Unsecured properties -- for assessments enrolled on the unsecured roll, do we concur with the amount enrolled?

The results of the field investigations are reported to the county assessor, and conferences are held to review individual sample items whenever the county assessor disagrees with the conclusions.

The results of the sample are then expanded as described in (5) above. The expanded results are summarized according to the five assessment categories and by property type and are made available to the assessment practices survey team prior to the commencement of the survey.

The primary use of the assessment sampling is to determine an assessor's eligibility for the cost reimbursement authorized by Revenue and Taxation Code section 75.60. During the course of the sampling activity, the assessment practices survey team may also discover recurring causes for the differences in the opinion of taxable value that arise between the assessor and the County Property Tax Division. These discoveries may lead to recommendations in the survey report that would not have otherwise been made.

C. Relevant Statutes and Regulations

Government Code

15640. Survey by board of county assessment procedures.

- (a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.
- (b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.
- (c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.
- (d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.
- (e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.
- (f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

15641. Audit of Records; Appraisal Data Not Public.

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as defined in Section 408. However, no information or records, other than "market data," which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor's office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

15642. Research by board employees.

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor's requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

15643. When surveys to be made.

- (a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.
- (b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has "significant assessment problems," as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.
- (c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.
- (d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

15644. Recommendations by board.

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

15645. Survey report; final survey report; assessor's report.

- (a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.
- (b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.
- (c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

15646. Copies of final survey reports to be filed with local officials.

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

Revenue and Taxation Code

75.60. Allocation for administration.

- (a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to Chapter 6(commencing with Section 95) and prior to the allocation made pursuant to Section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.
- (b) For purposes of this section:
 - (1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.
 - (2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:
 - (A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.
 - (B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).
 - (3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

Title 18, California Code of Regulations

Rule 370. Random selection of counties for representative sampling.

- (a) **SURVEY CYCLE.** The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.
- (b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.
 - (1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.
 - (2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.
 - (3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.
- (c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.
- (d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

Rule 371. Significant assessment problems.

- (a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, “significant assessment problems” means procedure(s) in one or more areas of an assessor’s assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:
 - (1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or
 - (2) the sum of all the differences between the board’s appraisals and the assessor’s values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor’s entire roll, exceeds 7.5 percent of the assessment level required by statute.
- (b) For purposes of this regulation, “areas of an assessor’s assessment operation” means, but is not limited to, an assessor’s programs for:
 - (1) Uniformity of treatment for all classes of property.
 - (2) Discovering and assessing newly constructed property.
 - (3) Discovering and assessing real property that has undergone a change in ownership.
 - (4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.
 - (5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.
 - (6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.
 - (7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.
 - (8) Discovering and assessing property that has suffered a decline in value.
 - (9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.
- (c) A finding of “significant assessment problems,” as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor’s practices.

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the BOE a response to the findings and recommendation in the survey report. The Alpine County Assessor's response begins on the next page.



Alpine County Assessor's Office

David Peets, Alpine County Assessor

P.O. Box 155, Markleeville, California 96120 ~ (530) 694-2283 ~ Fax (530) 694-2491

August 3, 2000

Mr. Charles Knudsen, Chief
County Property Tax Division
State Board of Equalization
P. O. Box 94279-0062

Dear Charles:

Pursuant to Section 156445 of the California Government Code, we are including herewith the Assessor's response to the 1998/99 Assessment Practices Survey Report for Alpine County conducted by the State Board of Equalization staff.

We wish to thank David Hendrick, Gene Palmer, Lisa Thompson, Dale Peterson, Glenn Danley, John Magorian, Dennis Miller, Wes Hill, Theresa Brink, Kim Trotto and Denise Owens for the courteous manner in which they conducted their work here.

We appreciate the constructive recommendations that should help my office produce a more accurate and efficient tax roll.

I wish to thank the employees of Alpine County for their cooperation in helping the Assessor's Office maintain our assessment program under difficult circumstances.

I truly believe that with proper staffing levels, this office will be able to cure our current backlogs and enable us to put into place the recommendations of the State Board of Equalization.

Sincerely,

Dave Peets

Dave Peets
Alpine County Assessor

ALPINE COUNTY

**ASSESSOR'S RESPONSE
TO
STATE BOARD OF EQUALIZATION'S
RECOMMENDATIONS 1998/99 SURVEY**

RECOMMENDATION 1: Request that the Board of Supervisors revise the disaster relief ordinance to conform to statute.

RESPONSE: This request will be forwarded to the Board of Supervisors shortly.

RECOMMENDATION 2: Enter escaped assessments and their required captions on the assessment roll.

RESPONSE: We have hired a programmer to work on this recommendation.

RECOMMENDATION 3: Limit roll changes to those roll years within the statute of limitations.

RESPONSE: Confusion existed with a new employee concerning this issue, but this office worked with the Tax Collector to make sure that no assessment was issued outside the statute of limitations.

RECOMMENDATION 4: Include the proper heading on the notice of proposed escape assessment.

RESPONSE: This recommendation has already been implemented.

RECOMMENDATION 5: Promptly enroll new base year values for properties that undergo a change in ownership.

RESPONSE: We always strive to reach this goal, but past staffing levels have placed a burden on this office.

RECOMMENDATION 6: Improve the discovery of new construction by obtaining copies of permits for septic systems and wells.

RESPONSE: We are working closely with the Health Department to bring their office in to compliance as I have requested this data in the past with no results.

RECOMMENDATION 7: Improve the discovery of new construction by conducting periodic field inspections.

RESPONSE: We will comply when time and staffing allows.

RECOMMENDATION 8: Enroll the value of partially completed new construction on each lien date until completed.

RESPONSE: This has always been the practice here, but the sampling found a few parcels where our staffing level did not allow us to perform our job timely.

RECOMMENDATION 9: Promptly enroll new base year values following completed new construction.

RESPONSE: We will continue to strive towards meeting this goal, but need an increase in staffing to comply.

RECOMMENDATION 10: Annually reappraise properties with taxable values that are less than their factored base year values, as required by section 51(e).

RESPONSE: This office follows the code section, unfortunately staffing levels prevented us from administering the code timely.

RECOMMENDATION 11: Issue supplemental assessments on a timely and regular basis.

RESPONSE: We are optimistic that an increase in staffing will enable us to conform to this recommendation.

RECOMMENDATION 12: Comply with regulatory requirements by including the present worth of unpaid future rents in the value of appropriate possessory interests.

RESPONSE: The Assessor agrees with this request, but does differ when considering a few cases in Alpine County.

RECOMMENDATION 13: Include copies of leases and other pertinent information in all possessory interest files.

RESPONSE: We are in the process of conforming to this recommendation. Past reporting from government entities has been sporadic.

RECOMMENDATION 14: Include termination and renewal dates of possessory interest contracts on the list of possessory interest assessments.

RESPONSE: This office will attempt to conform to this recommendation as time and staffing allows.

RECOMMENDATION 15: Improve the assessment of taxable government-owned properties by identifying the specific government agencies controlling property.

RESPONSE: Alpine County is 95% government-owned and has never been parceled out. When staffing allows, we will parcel and identify all land in Alpine County. The State Board has not identified any parcel that would fall under section 11 that has not been assessed.

RECOMMENDATION 16: Improve the assessment of taxable government-owned property by enrolling the proper assessed values.

RESPONSE: Ten out of the last eleven years, the section 11 assessments were posted correctly. The year under sampling, this office failed to post the values that were completed, consequently the prior years values went to roll. This error was discovered by the State Board and was corrected immediately.

RECOMMENDATION 17: Perform mandatory audits pursuant to section 469.

RESPONSE: Two of our three mandatory audits are still performed by other counties that share the assessment of the properties. We hope to contract out the one remaining audit shortly as time and funds allow.

RECOMMENDATION 18: Seek waivers of the statute of limitations when a mandatory audit will not be completed on time.

RESPONSE: We fully agree and will implement as soon as possible.